DUDLEY KNOX
NAVAL
MONTE

NAVAL POSTGRADUATE SCHOOL
Monterey, California

THESIS

M18135

NAVY/MARINE CORPS
MILITARY COMPENSATION 1967-1987:
GROWTH OR DECLINE?

by

Jimmy Darrell McCord

December 1987

Thesis Advisor: Ronald A. Weitzman

Approved for public release; distribution is unlimited

T239076

SECURITY CLASSIFICATION OF THIS PAGE

REPORT DOCUMENTATION PAGE

1a. REPORT SECURITY CLASSIFICATION UNCLASSIFIED	1b RESTRICTIVE MARKINGS
2a. SECURITY CLASSIFICATION AUTHORITY	3. DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; Distribution is unlimited.
2b. DECLASSIFICATION/DOWNGRADING SCHEDULE	
4. PERFORMING ORGANIZATION REPORT NUMBER(S)	5. MONITORING ORGANIZATION REPORT NUMBER(S)
6a NAME OF PERFORMING ORGANIZATION Naval Postgraduate School 6b. OFFICE SYMBOL (*If applicable*) 54	7a. NAME OF MONITORING ORGANIZATION Naval Postgraduate School
6c. ADDRESS (*City, State, and ZIP Code*) Monterey, California 93943-5000	7b. ADDRESS (*City, State, and ZIP Code*) Monterey, California 93943-5000
8a. NAME OF FUNDING/SPONSORING ORGANIZATION 8b OFFICE SYMBOL (*If applicable*)	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER
8c. ADDRESS (*City, State, and ZIP Code*)	10. SOURCE OF FUNDING NUMBERS PROGRAM ELEMENT NO. / PROJECT NO / TASK NO / WORK UNIT ACCESSION NO.

1. TITLE (*Include Security Classification*)
NAVY/MARINE CORPS MILITARY COMPENSATION 1967-1987: GROWTH OR DECLINE?

2 PERSONAL AUTHOR(S)
McCord, Jimmy D.

3a. TYPE OF REPORT Master's Thesis	13b TIME COVERED FROM _____ TO _____	14. DATE OF REPORT (*Year, Month, Day*) 1987 December	15 PAGE COUNT 76

6. SUPPLEMENTARY NOTATION

7 COSATI CODES			18. SUBJECT TERMS (*Continue on reverse if necessary and identify by block number*)
FIELD	GROUP	SUB-GROUP	Retirement/Housing/Health Care/ Commissary/Exchange

9 ABSTRACT (*Continue on reverse if necessary and identify by block number*)

There is, among military personnel and their dependents, a perception that benefits provided to them by the Government and their respective services have been victims of a steady erosion in value. The purpose of this thesis is to determine if the four major areas of benefits have decreased, increased or remained constant from base year 1967 to 1987. The conclusion reached in this thesis is that retirement and medical benefits have, in fact, seriously eroded over the past 20 years; commissary benefits have been slightly improved, exchange benefits have remained constant, and housing benefits have increased as to the number of government quarters available, but decreased in the quality of those quarters, and sevice members forced to live off base have suffered erosion in the purchasing power of the housing allowance

0 DISTRIBUTION/AVAILABILITY OF ABSTRACT ☐ UNCLASSIFIED/UNLIMITED ☐ SAME AS RPT ☐ DTIC USERS	21. ABSTRACT SECURITY CLASSIFICATION Unclassified
2a NAME OF RESPONSIBLE INDIVIDUAL Ronald A. Weitzman	22b TELEPHONE (*Include Area Code*) 646 2694 22c. OFFICE SYMBOL 54Wz

D FORM 1473, 84 MAR 83 APR edition may be used until exhausted
All other editions are obsolete

SECURITY CLASSIFICATION OF THIS PAGE

☆ U.S. Government Printing Office: 1986—606-24

Approved for public release; distribution is unlimited.

Navy/Marine Corps Military Compensation 1967-1987: Growth or Decline?

by

Jimmy Darrell McCord
Major, United States Marine Corps
B.B.A., Western Michigan University, 1970

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
December 1987

ABSTRACT

There is, among military personnel and their dependants, a perception that benefits provided to them by the Government and their respective services have been victims of a steady erosion in value. The purpose of this thesis is to determine if the four major areas of benefits (retirement, housing, medical, and commissary/exchange) have decreased, increased or remained constant from base year 1967 to 1987. The conclusion reached in this thesis is that retirement and medical benefits have, in fact, seriously eroded over the past 20 years; commissary benefits have been slightly improved, exchange benefits have remained constant, and housing benefits have increased as to the number of government quarters available, but decreased in the quality of those quarters, and service members forced to live off base have suffered erosion in the purchasing power of the housing allowance.

TABLE OF CONTENTS

I. INTRODUCTION 6

II. RETIREMENT BENEFITS 9

III. HOUSING BENEFITS 20

IV. HEALTH CARE BENEFITS..... 32

V. COMMISSARY/EXCHANGE BENEFITS 40

VI. CONCLUSIONS 57

APPENDIX: GLOSSARY OF ABBREVIATIONS AND ACRONYMS.... 58

END NOTES 59

BIBLIOGRAPHY 70

INITIAL DISTRIBUTION LIST 75

LIST OF TABLES

TABLE	DESCRIPTION	PAGE
2-1	Military Retired Pay 1961-1965	11
2-2	Retired Pay Increases 1967-1976	13
2-3	Retired Pay Increases 1977-1986	16
2-4	Retired Pay Multipliers	18
3-1	Housing/Member Ratio	25
3-2	Total BEMAR	26
3-3	BAQ Increases (with implicit raises)	28
3-4	BAQ Increases (w/o implicit raises)	29
4-1	Cost of Medical Care at Uniformed Medical Facilities	35
4-2	CHAMPUS Cost: Spouse/Child Active Duty	36
4-3	CHAMPUS Cost: Retiree and Spouse/Child	36
5-1	All Services Commissary Management Savings	48
5-2	Navy Commissary Management Savings	49

I. INTRODUCTION

A belief exists among military personnel and their dependents that benefits provided to them by the Government and their respective services have been eroded over the years to a point where the value of these benefits, as perceived by their recipients, may eventually reduce the value of total compensation to a point where it will no longer serve its purpose of attracting the necessary numbers of recruits and in retaining those personnel of quality needed to staff the armed services.

The problem of perceived erosion of benefits has not gone unnoticed and is an area of concern for both military and congressional members:

> LtGen. Charles G. Dodge (Ret.), Executive Vice President, Association of the U.S. Army
>
> While military pay has increased, there has been a diminution in fringe benefits that have long been considered a part of career compensation. Active duty personnel and retirees feel this in actions which cause a loss of dental care for dependents, rising PX prices and limitations on merchandise that the PX carries, reduced medical care for retirees and dependents, and continuing stricter policy interpretations of the CHAMPUS program. [1]
>
> Congressman Davis, Representative from Alabama, Subcommittee on Investigations of the Committee on Armed Forces, House of Representatives
>
> The problem is that the military, those on active duty and the retirees who are depending on this, look at the

erosion of promises, or what they consider promises. They are wondering where this leads and how much can they depend on the words of the U.S. Government?

Medical services; recomputations; all these things that the military in and out of uniform see gradually just drifting away, or eroding away, and they wonder, will, now how many other broken promises can we expect downstream. [2]

> Congressman Paul S. Trible, Jr., Representative of Virginia, Military Compensation Subcommittee of the Committee on Armed Services, House of Representatives

In brief response to your comments, I might say the appearance of instability in the area of military compensation is every bit as damaging, in my view, as the actual erosion in benefits. Every time one of my colleagues takes the floor and attacks the military pay and benefits systems, that causes a reverberation throughout the world. [3]

This thesis tracks the history and values of the four main benefits (retirement, housing, medical, and commissary/exchange) from 1967 to 1987. The purpose is to determine if the value of these benefits are accurately perceived as victims of erosion, or if they have increased in value or remained constant.

The values of the benefits throughout the past 20 years were determined through a search of public laws, congressional reports and testimony, previous studies of military compensation, and articles and publications pertinent to the areas under study. The values were converted to the base year (1967) value via appropriate indices and compared for increases or decreases and, when appropriate, for changes in purchasing power.

The narrative presents a history of the benefits, including their purposes, origin, debates on funding and statements from those for and against the benefits. The purpose of this narrative is to present a complete picture of the life of the benefits as an aid in determining why recipients of the benefits perceive them as having eroded even if in fact a particular benefit may have increased in value.

This thesis concludes that from 1967 to 1987 the retirement and medical benefits have been victims of erosion but that the exchange benefits have remained constant in value and commissary benefits have actually increased.

II. RETIREMENT BENEFITS

The military retirement system (MRS) was born in 1861. The purpose was to remove old officers from the active duty roles and replace them with men young enough to lead troops into the field. Time on active duty needed to meet eligibility requirements was 45 years. In 1862 this was reduced to 40 years and later to 30. [1]

In 1885, when the Army extended non-disability retirement to enlisted men with over 30 years of service, only 50 soldiers were eligible [2]. By FY1960 the number of military retirees had reached 240,000 [3] and by 20 Sept 1986 the number of people receiving non-disability retirement pay had increased to 1.25 million [4].

The average yearly increase in retirees from FY1960 to September 1986 was over 48,000. This tremendous increase in retirees has, of course, been accompanied by a tremendous increase in cost. Annual retiree costs increased from slightly less than $700 million in FY1960 [5] to over $17 billion in FY1987 [6]. The FY86 cost was approximately 50 percent of the amount allocated for military base pay of active members for the same year.

The cost of the military retirement system has made it a target of budget cutters almost from its very beginning. During an 1899 congressional debate on a military retirement

law, Congressman Joseph Bailey of Texas exclaimed, "when the work ceases, the pay ought to stop." [7]

Study and debate over the military retirement system has continued almost unabated since Congressman Bailey's time. Recently, the debate has grown stronger. From 1970 to 1986 there have been nine major studies of the military retirement system [8]. At one point during 1972 the U.S. House of Representatives Special Subcommittee on Retired-Pay Revision had, for consideration, 129 bills relating specifically to adjustments of military pay [9].

During the debates on retirement benefits many remarks were made that were negative in nature and widely publicized in the military community. Congressman Les Aspin inquired, "Is it fair to millions of taxpayers who don't collect military pensions that we pay so much 'retired pay' to so many 'retirees' who aren't 'retired' at all?" [10]

It is a common event, when a person is listening to a military member, to hear paraphrases of the above quote or of similar statements made by public figures. The paraphrases are usually tied to emphatic but generalized complaints of erosion of retirement benefits.

It is the purpose of this chapter to evaluate retirement benefits over a period of time and determine if these benefits have eroded, improved, or remained constant.

In 1965 concern over the soaring costs (Table 2-1 [11]) of federal retirement system, including uniformed services, moved President Johnson to direct a study of the system.

TABLE 2-1.....MILITARY RETIRED PAY.....

FISCAL YEAR	AVERAGE NO. OF RETIREES (THOUSANDS)	AVERAGE COST PER MAN ($)	TOTAL COST (MILLIONS)
1961	275.9	2,856	788
1962	313.4	2,858	896
1963	358.8	2,828	1,015
1964	410.9	2,948	1,211
1965	508.6	2,996	1,386

In dealing with the military retirement portion of this study, the Cabinet Committee on Federal Staff Retirement Systems main area of concern was whether the system was "unduly wasteful in terms of trained manpower and retired pay costs." [12]

The Cabinet Committee recommended that DoD continue the study on 20 year retirement eligibility and mandatory retirement at 26, 28, or 30 years of service without regard to age or specialty [13]. The Committee did make some very specific statements:

1. The costs associated with transition of MRS to a contributory basis outweigh the benefits which might be realized and therefore the system should remain noncontributory [14]. In 1967 the First Quadrennial Review of Military Compensation issued an opinion that opposed that of the Cabinet Committee on Federal Staff Retirement Systems and recommended that the MRS be made a contributory system [15].

2. The uniformed services retirement system as now constituted is an effective instrument in maintaining the youth and vitality of the Armed Forces [16].

3. Federal staff retirement systems should continue the policy of maintaining the purchasing power of military retired pay by prompt and full increases when the consumer price index rises [17].

The tie-in between CPI and the MRS referred to in statement (3) above is in reference to The Uniformed Services Pay Act of 1963 that replaced recomputation of military retired pay with a method of adjustment based on increases in the cost of living as measured by the Consumer Price Index.

The adjustment method required a determination in January of each year of the percentage increase in the CPI, as measured by the annual average of the index for that year. If the increase was three percent or more, retired pay was to be increased by that percent on the first of April. [18]

This was modified slightly in 1965 by changing "annual average index" to a three month index. If CPI had increased by at least 3 percent over the base index and held at 3 percent for three consecutive months, retired pay was to be increased on the first day of the third month following the consecutive three month period by the highest percentage of the increase. [19]

CPI adjustments to retired pay were improved in November 1969 with approval of Public Law No. 91-179, 83 Stat. 837. This law added one percent to the highest percent increase of the three month CPI that was used to increase retired pay.

The purpose of this law was to compensate for the loss of purchasing power during the time the CPI was building up to the three percent level and before the increase in the cost of living was actually reflected in higher retired pay [20]. However, because the "1 percent kicker" remained in effect even after it had compensated for the lag, the end result was an overcompensation for CPI increases [21].

Through the time period of FY67 through FY75 retired pay kept pace with inflation (see Table 2-2) through the various enacted CPI adjustment laws and, in fact, because of the one percent kicker the purchasing power of retirement pay increased [22]. From base year 1967 through March 1976 retirees received 12 raises which together increased annuities in excess of the CPI growth [23].

TABLE 2-2.....RETIRED PAY INCREASES.....

DATE	% INC.*	CUM. INC.	CPI*	CUM. INC.	EXCESS CUM.PAY OVER CUM. CPI
1967	0	0	100.0	0	0
APR 1, 1968	3.9	3.9	103.1	3.1	0.8
FEB 1, 1969	4.0	8.1	107.1	7.1	1.0
NOV 1, 1969	5.3	13.8	112.2	12.2	1.6
AUG 1, 1970	5.6	20.2	115.2	15.2	5.0
JUN 1, 1971	4.5	25.6	121.5	21.5	4.1
JUN 1, 1972	4.8	31.6	125.0	25.0	6.6
JUL 1, 1973	6.1	39.6	132.7	32.7	6.9
JAN 1, 1974	5.5	47.3	139.7	39.7	7.6
JUL 1, 1974	6.3	56.6	148.0	48.0	8.6
JAN 1, 1975	7.3	68.0	156.1	56.1	11.9
AUG 1, 1975	5.1	76.6	162.8	62.8	13.8
MAR 1, 1976	5.4	86.1	167.5	67.5	18.6

* % INC: [24]
* CPI: [25]

By 1976 it became apparent to Congress that the 1 percent kicker had gone beyond its purpose of parity and was resulting in overcompensation. Accordingly, Public Law No. 94-361, 90 Stat. 923 (July 14, 1976) eliminated the one percent add-on and on October 1, of the same year, Public Law No. 94-440, 90 Stat. 1462 amended the preexisting adjustment mechanism by providing that retired pay was to be adjusted twice yearly--on March 1 and September 1--by the percentage increase in the index, rounded to the nearest 1/10 of one percent, on the preceding January 1 and July 1, respectively [26].

With the enactment of the two laws cited in the preceding paragraph a concerted effort to reduce the growth of retirement pay began. The adjustment mechanism was further amended on August 13, 1981. This amendment eliminated the system of semi-annual adjustments and changed it to an annual adjustment, effective March 1, 1982 and based the COLA on the CPI increase that occurred from December to December of the preceding year [27].

The Omnibus Budget Reconciliation Act of 1982 modified the retirement pay formula even further. For fiscal years, 1983, 1984, and 1985, nondisabled retirees under the age of 62 were to receive only 50 percent of the "assumed" CPI increase for each of the three years. This was in effect for FY83 but was suspended during FY84 and FY85. [28]

Continuing to whittle away at retirement pay, Congress delayed the COLA scheduled for May 1, 1984 until December 1, 1984 and changed the basis for the COLA adjustment to

the change in the CPI from the average for the third quarter (July, August and September) of one year to the next. This action resulted in the permanent loss of 2.6 percent adjustment which would have occurred if the change in the CPI from the last adjustment (April 1983) to the beginning date of the new CPI base figure (average for third quarter 1983) had been included in the calculation. [29]

The projected 3.1 percent COLA which was to be effective December 1, 1985 was cancelled by the Gramm - Rudman - Hollings amendment to the Budget Deficit Reduction Act of December 1985 [30].

The purpose of Public Law 80-132, October 2, 1963, that established the principle of adjusting retired pay based on the CPI, was to develop an automatic mechanism which would "in the last analysis, guarantee every military retired member that the purchasing power of the retired pay to which he was entitled at the time of retirement would not, at any time in the future, be eroded by subsequent increases in consumer prices." [31]

This purpose has been relatively successful. The question of erosion, however, must be looked at from a different perspective. Once a retiree has received a given level of pay benefit, that is the level from which erosion must be judged. If the retiree is given an excess of cumulative pay increase over cumulative CPI increase, any reduction below this point is an erosion of his retirement pay.

Beginning from 1967, this excess of cumulative pay increase over cumulative CPI increase grew from zero to a high of 35.2 in March 1982 and from this high, declined to a low of 12.8 in December 1985. It rebounded slightly to 14.8 in December 1986 (See Tables 2-2 and 2-3). To the retiree this is a definite erosion of benefits. He has less purchasing power in December 1986 than he had in December 1982.

TABLE 2-3.....RETIRED PAY INCREASES.....

DATE	% INC	[32] CUM. INC.	CPI	[33/34] CUM. INC.	EXCESS CUM. PAY OVER CUM. CPI
MAR 1, 1977	4.8	95.0	178.2	78.2	16.8
SEP 1, 1977	4.3	103.4	184.0	84.0	19.4
MAR 1, 1978	2.4	108.3	189.7	89.7	18.6
SEP 1, 1978	4.9	118.5	199.1	99.1	19.4
MAR 1, 1979	3.9	127.0	209.3	109.3	17.4
SEP 1, 1979	6.9	142.6	223.7	123.7	18.9
MAR 1, 1980	6.0	157.2	239.9	139.9	17.3
SEP 1, 1980	7.7	177.0	251.9	151.9	25.1
MAR 1, 1981	4.4	189.2	265.2	165.2	24.0
MAR 1, 1982	8.7	214.4	279.1	179.1	35.3
APR 1, 1983	3.3**	224.8	294.9	194.9	29.9
APR 1, 1983	3.9##	++	-----	-----	----
DEC 1, 1984	3.5	236.2	312.1	212.1	24.1
DEC 1, 1985	@@	236.2	323.4	223.4	12.8
DEC 1, 1986	1.3	240.5	325.7	225.7	14.8

** : 3.3% For nondisabled retirees under age 62.
: 3.9% increase for disabled retirees and retirees 62 years and older.
++ : Cumulative increases subsequent to 1983 are based on the April 1983, 3.3% increase.
@@ : The retired pay increase of 3.1% for Dec. 1985, was cancelled by the Gramm-Rudman-Hollings Act.

Congress has shifted dates of COLA paydays; changed methods and reference points for determination of CPI average increases, deleted the one percent kicker, given "half COLA" (1983) and cancelled a COLA increase completely (1985).

All of these actions have served to either slow or temporarily stop growth of retiree pay. As previously mentioned, the changed basis for CPI increase determination in the Omnibus Budget Reconciliation Act of 1983 was, in itself, responsible for a permanent loss of 2.6% [35].

In addition to the immediate loss of pay and purchasing power, each of these actions has resulted in lower future purchasing power because, if they had not occurred, they would have raised the base used for future percentage increase.

Retired pay benefits for future retirees have been altered severely. Legislation enacted in 1981 requires that members who enter military service after September 1980 will have their retired pay computed on the basis of a "high three" year average formula [36].

In 1985, Martin Binkin, the senior fellow for Foreign Policy Studies at Brookings, testified before a HASC subcommittee that "the value of military retirement has been cut by something like 20 percent over the last 4 to 5 years, first by removing the 1-percent kicker in COLA increases, and then by adopting the high 3 rule." [37]

The most drastic erosion of retirement benefits affect service members who enter active duty on or after August 1, 1986 [38]. The Military Retirement Reform Act of 1986 made the following changes:

1. Retired pay formula changed from 2.5 times the creditable years of service up to a maximum of 75% of base pay to 2.5 times the years of creditable service minus one percentage point for each year less than 30. Reduction to be eliminated at age 62. [39] See Table 2-4.

TABLE 2-4..RETIRED PAY MULTIPLIER....

YEARS OF SERVICE	MULTIPLIER BEFORE 62	MULTIPLIER AFTER 62
20	40.0	50.0
21	43.5	52.5
22	47.0	55.0
23	50.5	57.5
24	54.0	60.0
25	57.5	62.5
26	61.0	65.0
27	64.5	67.5
28	68.0	70.0
29	71.5	72.5
30	75.0	75.0

Source: [40]

2. The cost of living adjustment mechanism is changed to provide CPI minus 1 for life with a one time restoral in the purchasing power of the annuity at age 62 [41].

The changes mandated by the Retirement Reform Act will save the government (and cost retirees) almost $3 billion on an annual accrual basis [42].

In summary, retiree pay benefits have been reduced in purchasing power by:

1. Changed methods and reference points for determining CPI average increases.
2. Delaying and shifting of COLA paydays.
3. Elimination of the one percent kicker.
4. "Half COLA" of 1983.
5. Cancellation of December 1985 3.3% increase.
6. Inauguration of the "high three" year average.
7. New retirement pay formula for members entering after August 1, 1986.
8. COLA increases of CPI minus 1 for members entering after August 1, 1986.

III. HOUSING

The provision of government living quarters or, in lieu of quarters, cash payments to military members has been in practice since the founding of the United States. Originally, these provisions were not based on specific legislative authority but on regulations of the various military departments. Congress indirectly sanctioned the practice through appropriations for payments.

The first legislative provision that specifically authorized a cash quarters allowance for officers was the Appropriation Act of July 15, 1870. This law specified a uniform rate of $10 per room per month [1]. Specific legislative authorization for certain enlisted members came in 1915 [2].

These provisions were not concerned with where the dependents of a military member lived but on whether the member did or did not himself occupy quarters. The element of dependency was introduced for officers in 1918 [3] and enlisted in 1940 [4].

Legislation enacted since 1940 has extended the government's responsibility to provide quarters or a housing allowance to military personnel. This responsibility, on the part of the Department of the Navy, has evolved into the objective of providing "adequate, economical housing to all

eligible military personnel by first utilizing community resources and then providing government quarters as required." [5]

"Eligible military personnel" are those military personnel in pay grade E-4 with more than 4 years of service (2 years if accompanied by a six year service commitment) and seniors who are entitled to basic allowance for quarters (BAQ) with accompanying dependents or spouse [6].

Housing for military personnel is a part of compensation that has been strongly supported by all factions. The Chairman of the United States House of Representatives Committee on Appropriations in 1969 stated:

> In past actions this Committee has laid stress on the need for increased emphasis on all types of military housing to support military personnel and their families. It is a simple and accepted fact that if highly-skilled and motivated military personnel, so sorely needed by our military forces, are to remain as career personnel, they and their families must be provided with realistic and adequate standards of living. [7]

Research indicates that this type of strong statement about military housing is indicative of the support that has historically been given to the housing program. Given this, it is surprising to find that in 1987 the Department of the Navy (Navy/Marine Corps) had a combined housing deficit of 26,314 units [8].

This chapter will track military housing and its financial substitutes, BAQ and VHA, from 1967 through 1987 to determine if the 1987 deficit is an improvement over

previous years or if housing compensation has, in fact, been a victim of erosion.

The quality and quantity of housing compensation is composed of four elements:

1. Number of government housing units available.
2. Backlog of essential maintenance required.
3. Basic Allowance for Quarters (BAQ).
4. Variable Housing Allowances (VHA).

Number of Units Available: It is not the purpose of the Navy Family Housing Program to provide government quarters to all families [9]. The first source of housing for Navy and Marine Corps personnel is the civilian community. Government quarters are constructed in those areas where the supply of available civilian community quarters is not sufficient to meet the demand of military families [10]. In 1987 over 71 percent of all Navy and Marine Corps families lived on the economy [11]. The number of units available, for the purpose of this paper, is the actual number of government owned family quarters that require expenditure of Operations and Maintenance (O&M) funds.

Backlog of Essential Maintenance Required (BEMAR) : Essential maintenance includes repair such as: interior painting, floor finishing, replacement of furnaces and hot

water heaters, exterior painting, roof repairs and replacement, replacement of gutters and downspouts, street repairs and similar types of upkeep [12]. BEMAR occurs chiefly because of underfunding by Congress of O&M funds and inflation [13].

Basic Allowance for Quarters: BAQ is a cash allowance given to military members for payment of quarters rented. All eligible members receive the award and those assigned to government housing forfeit their BAQ back to the government. Those members not assigned to government quarters use the allowance to live on the economy.

Variable Housing Allowance (VHA): By the onset of 1980, the rising cost of living on the economy had become a burden to military personnel unable to get government furnished quarters. Recognizing this fact, Congress included VHA in the Military Personnel and Compensation Amendments of 1980. This law divided the 48 contiguous states into 347 military housing areas (MHA). The index for a particular area or MHA was computed by dividing actual housing costs, which were determined by a statistically significant survey, by actual BAQ entitlements and then subtracting 1.15 and rounding to the nearest .05. This is then multiplied by the BAQ to determine the amount of VHA to be paid. [14]

Within each MHA, housing data and the resulting indices were divided into five grade groups, three enlisted and two officer. These grade groups were [15]:

E-1 - E-3
E-4 - E-6
E-7 - E-9
O-1 - O-3 and W-1 - W-3
O-4 - O-10 and W-4

The value of housing compensation can be divided into two sections: (1) the value to those living in government quarters and (2) the value to those living on the economy.

A. GOVERNMENT QUARTERS

Whether one lives in government quarters or on the economy depends, of course, on the number of government quarters available and the number of families eligible for those quarters. From June of 1967 (base year) to 1987 the number of Department of Navy housing units requiring O&M funds increased from 73,623 units [16] to 90,074 units [17].

This change in units must be weighed against the change in eligible military families during the same period. Total active duty members (Navy/Marine Corps) decreased from 1,036,888 in 1967 [18] to 775,280 in 1987 [19]. This decrease in personnel (even with an increase in the percentage of married enlisted) resulted in an approximate decrease of 27,300 in the number of military members eligible for government quarters, going from approximately 280,800 in 1967 to 253,400 in 1987 (figures derived from [20] and [21]).

As a result of the increase in government quarters available and the decrease in eligible members the ratio of quarters to eligible members rose from 26.2% in 1967 to 35.5% in 1987 as shown in Table 3-1.

TABLE 3-1.....HOUSING/MEMBER RATIO.....

YEAR	UNITS	ACTIVE DUTY	ELIGIBLE MEMBERS	UNITS/ MEMBERS RATIO
1967	73,623	1,036,888	280,800	26.2%
1987	90,074	775,280	253,400	35.5%

While the opportunity to obtain government quarters has increased during the past 20 years, the quality of that housing has decreased. Inflation, underfunding by Congress, age of buildings, and lack of interest on the part of the Department of the Navy have caused the backlog of deferred maintenance to grow at an astronomic rate.

In 1967 when the total deferred maintenance hit $11.3 million dollars, a Navy official testifying before the House Subcommittee on Military Construction Appropriations, stated that while the $11.3 million was about 375% higher than optimum, the Navy did not believe that "it is serious as yet, Mr. Chairman." [22]

By 1975, the deferred maintenance had reached $42 million. This spurred Congressmen Sikes to warn the Department of the Navy that, "... members of this committee

have been concerned, even disturbed, at the lack of emphasis that has been placed on reducing the backlog of deferred maintenance." [23]

By 1987, a large percentage of the Navy housing inventory had reached an age of between 25-40 years [24] and deferred maintenance had increased from an average of $153.00 per unit to an amazing $8,600.00 per unit [25] and the Navy announced an aggressive 8 year plan to reduce this average to $1,000.00 per unit. In constant 1967 dollars the $8,600.00 is reduced to $2,233.00 and the $1,000 to $260.00 (refer to Table 3-2).

TABLE 3-2.....TOTAL BEMAR.....

YEAR	UNITS	TOTAL BEMAR	MAINT. CPI	TOTAL BEMAR 1967$	BEMAR PER UNIT 1967$
1967	73,623	$11.3 mil.	100	$11.3 mil.	$153.48
1987	90,074	$774.6 mil.	385	$201.2 mil.	$2233.72

B. ECONOMY

The value of military housing compensation when living on the economy is determined by two payments-in-kind: BAQ and VHA. Legislatively authorized BAQ has been in effect for 117 years and VHA for 7 years (began FY81).

The Career Compensation Act of 1967 provided that whenever the compensation of civil servants was increased, a comparable percentage, figured on regular military

compensation (RMC), was to be effected for military personnel. RMC is composed of four elements: basic pay, BAQ, basic allowance for subsistence (BAS) and the tax advantage gained from non-taxed benefits. However, since the entire increase was allocated to basic pay, the increase in BAQ, BAS, and tax advantage was implicit only. [26]

After an average 1.2% increase in BAQ in 1967, BAQ was not increased again until November 14, 1971, when it was raised by an average of 34.5%. BAQ was not raised again until 1974 when legislation was passed that discontinued the practice of placing the entire increase in basic pay and created the requirement to distribute raises equally among the three cash elements of RMC - basic pay, BAQ, and BAS [27].

With only one raise in BAQ in six years (even though the one raise averaged 34.5%) most members perceived their allowances at substantially below actual expenses in the economy [28]. This belief persisted even though BAQ was implicitly raised 26% from 1967 to 1971 [29].

The 26% figure (implicit BAQ raise) approximates 75% of the percentage increase in base pay for the same period. Using 75% as an approximation, the implicit increase in BAQ from the November, 1971 raise to the October, 1974 raise is 15%.

The Career Compensation Act of 1971 set 85% of the FHA median for housing expenses for comparable groups as the desired level of BAQ and resulted in the 34.5% raise in

November of that year in order to meet the 85% target [30]. Since that time, however, BAQ increases have failed to keep pace with rising housing costs, with the result that BAQ fell short of the statutory 85 percent figure [31].

Table 3-3 and Table 3-4, representing both viewpoints, i.e., considering implicit increases and not considering implicit increases, show that under either viewpoint the value of BAQ was seriously eroded between 1971 and 1979. In fact, by 1980, the average military member in the United States, living on the economy, was paying $920 per year more for housing than he received in BAQ [32].

TABLE 3-3.....BAQ INCREASES (with implicit raises).....

DATE	% INC. BAQ	CUM. % INC. BAQ	HOUSING CPI INDEX	CUM. INC. IN CPI	EXCESS CUM. BAQ INC. OVER CUM. CPI INC.
1967	BASE	0	100	0	0
1968 THRU NOV 71	26.0	26.0	(IMPLICIT RAISE)		
NOV 71	34.5	69.47	126.4	26.4	+43.07
DEC 1971 THRU SEP 1973	15.0	94.89	(IMPLICIT RAISE)		
OCT 74	5.5	105.61	156.7	56.7	+48.91
OCT 75	5.0	110.9	169.8	69.8	+41.1
OCT 76	10.7	122.8	180.1	80.1	+42.7
OCT 77	11.0	136.3	193.6	93.6	+42.7
OCT 78	5.5	143.8	209.5	109.5	+34.3
OCT 79	7.0	153.9	237.7	137.7	+16.2

TABLE 3-4...BAQ INCREASES (without implicit raises).....

DATE	% INC. BAQ	CUM. % INC. BAQ	HOUSING CPI INDEX	CUM. INC. IN CPI	EXCESS CUM. BAQ INC. OVER CUM. CPI INC.
1967	BASE	0	100	0	0
NOV 1971	34.5	34.5	126.4	26.4	+8.1
OCT 1974	5.5	41.9	156.7	56.7	-14.8
OCT 1975	5.0	49.0	169.8	69.8	-20.8
OCT 1976	10.7	64.9	180.1	80.1	-15.2
OCT 1977	11.0	83.0	193.6	93.6	-10.6
OCT 1978	5.5	93.1	209.5	109.5	-16.4
OCT 1979	7.0	106.6	237.7	137.7	-31.1

.....

In many instances the excess of cost over benefit was much higher than $920 per year. During 1980, an E-7 in the San Diego area spent $2000 above his allowance for a three-bedroom house [33].

To alleviate this shortfall Congress established the VHA program in 1981. The program specifies that service members eligible for BAQ will also receive VHA if they are stationed in CONUS (those outside CONUS receive "rent plus") locations where the average monthly cost of nongovernment housing for service members exceeds 115 percent of their BAQ [34]. The purpose of this program was for the government to pay all the costs over 115 percent of BAQ and essentially move the housing benefit back up to the 85% statutory level for BAQ.

The value of VHA was not long-lived. By FY 1984 the cost of the program had increased by over 33 percent [35] and a concerned Congress took steps to stem the growth;

steps which reduced the value of the benefit to the service member.

The FY 1984 DoD Appropriation Act froze VHA payments to FY83 levels. In the FY 1985 Act the link between VHA and BAQ was severed and both were tied to median housing costs nationwide. BAQ rates were set at 65 percent of the national median housing costs reported by members in each pay grade and VHA rates were set to cover 20 percent of the remaining median costs. [36]

This was another attempt to keep housing benefits at a value of 85% of the national average but it didn't last very long. The FY 1987 Defense Appropriation Act froze VHA rates at the FY 1986 levels [37]. This freeze has caused the out of pocket expenses of the service member to increase from 15% to 20% [38].

The housing compensation benefit to service members does not have an attractive history. During the past 20 years the ratio of available quarters to eligible members has risen from 26.2% in 1967 to 35.5% in 1987 as a result of an increase of approximately 16,500 units and a decrease in eligible members of approximately 27,300.

While this ratio has shown a positive increase, the value of the quarters has decreased in quality. The average dollar amount in deferred maintenance per housing unit has increased almost 1500% in constant 1967 dollars, rising from $153 per unit to over $2,200 per unit. In 1987 dollars, this deferred maintenance equates to $8,600. A person does

not have to think very hard to imagine the condition of a house that needs $8,600 in repairs.

The cash value of BAQ has a history of constant erosion. In FY 1981 an attempt was made to stop this erosion through the VHA program. However, during the 7 years that VHA has been in effect its amount was twice frozen at previous year levels and it has now eroded to a point where it is once again below the 85% level of subsidy and the service member is now taking 20% of housing cost out of his pocket vice the legislated 15%.

The housing compensation benefit, for both in-quarters families and on-the-economy families, has shown almost constant erosion since 1967. It has essentially been a game of erode - catch up - erode - catch up - erode; a game that has been very costly, financially and in the area of morale, for military personnel.

IV. HEALTH CARE BENEFITS

Medical care for dependents and retirees is an extremely volatile area of concern among those associated with the military forces. The outcry about the conditions of health care and the erosion of health benefits has recently culminated in the initiation by Congress of a committee tasked with looking into the quality of military health care.

The concern of this thesis is not in determining the quality of health care per se, but in comparing the value received from that health care to the value received 20 years ago in order to make a determination as to whether that value has eroded, remained constant, or increased. The starting point is to determine what benefits were available in 1967.

There is an often made claim among military dependents and retirees that they have been promised and have a right to 100 percent free medical care to be supplied by their particular armed force. This is not now the case nor has it been true at any time in the past.

Prior to 1956, military dependents received medical care on a space available basis at uniformed health facilities. This practice created a wide disparity of benefits received between those dependents living near a providing facility and those who lived in areas where these

facilities were not available. Those dependents living in areas where access to uniformed medical facilities were not available had to pay for the care they received from civilian medical sources [1]. At that time those dependents without access amounted to 40% of the total dependent force [2].

In an attempt to equalize medical benefits between those who had access and those who did not, Congress passed The Dependents Medical Care Act of June 7, 1956 (Pub. L. No. 84-569, 70 Stat. 250). This law gave the Secretary of Defense the authority to contract with civilian sources for the medical care of spouses and children of uniformed personnel on active duty or active duty for training. [3]

The Dependents Medical Care Act had two major drawbacks: (1) It excluded outpatient medical care and (2) did not cover retirees. It did, however, grant military retirees and their dependents a contingent right to care in military medical facilities based upon a space available basis. "As thus formulated, medical care for retirees is properly viewed as a privilege, not an absolute right, as had been assumed by many personnel." [4]

A major point of the Medical Act was the fact that it legislatively established a beneficiary priority system for determining how care would be provided when there were limited capabilities. First priority was to active duty members; second priority was to dependents and survivors of

active duty members; and, the third, and last priority, to retirees and their dependents [5].

This priority system legislatively established the right of medical are to dependents and retirees on a space available basis only. It did not guarantee medical care in uniformed medical facilities to these two classes but gave them the opportunity to receive care if space were available.

If space were not available, dependents and retirees had to seek medical care from civilian sources. If treatment involved inpatient care, the cost was borne by the Government under The Dependents Medical Care Act but if the treatment involved outpatient care, the expense was borne by the individual.

Although outpatient care would eventually be covered by the Government, the beneficiary priority system remains in effect to this day as the mission of the medical care of the armed forces is stated as:

> First, caring for sick and wounded in wartime and maintaining the health of the force in peacetime; and second, caring, on a space-available basis, for the non-active duty population [6].

By 1966, federal civilian employees were medically insured under the Blue Cross-Blue Shield high option program. Congress decided that military dependents and retirees should receive medical benefits equivalent to those given to civilian employees and to that purpose created the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

Whatever the intent of Congress, CHAMPUS did not compare favorably with the federal civilian program. The major difference between the two programs is that federal civilian employees contract for a particular health care plan appropriate to their needs and are contractually guaranteed certain medical benefits while CHAMPUS benefits are established by the Secretary of Defense and are subject to administrative change over which recipients have no control. Benefits under CHAMPUS are subject to the direct care program in military medical facilities and to the coverage of the High Option Blue Cross/Blue Shield plan for federal civilian employees. [7]

Regardless of the difference between the federal civilian and military dependent programs, CHAMPUS was a great improvement over the 1956 Dependents Medical Act. CHAMPUS added outpatient care and included retirees and their dependents under the program [8].

Tables 4-1, 4-2, and 4-3 show that the regulated costs of care in uniformed medical facilities and under the CHAMPUS program have either remained at the same percentage level or risen minimally. The tables indicate that erosion in the form of increased costs has not occurred.

TABLE 4-1.....COST AT UNIFORMED MEDICAL FACILITIES.....

YEAR	OUTPATIENT COST	INPATIENT COST
1967	NO CHARGE	$1.75 PER DAY
1976	NO CHARGE	$3.90 PER DAY
1987	NO CHARGE	$7.55 PER DAY

TABLE 4-2. CHAMPUS COST: SPOUSE/CHILD OF ACTIVE DUTY MEMBER.

YEAR	OUTPATIENT COST	INPATIENT COST	DEDUCTIBLE
1967	20% OF ALLOWED CHARGES (NOTE #1)	$1.75 PER DAY OR $25 PER ADMISSION	$25 PER INDIV. $100 PER FAMILY
1976	SAME	$3.90 PER DAY OR $25 PER ADMISSION	SAME
1987	SAME	$7.55 PER DAY OR $25 PER ADMISSION	SAME

NOTE #1: Some physicians charge more than what CHAMPUS considers reasonable and, in those cases, the patient pays the entire amount above what CHAMPUS will allow [9].

TABLE 4-3. CHAMPUS COST: RETIREE AND SPOUSE/CHILD.

YEAR	OUTPATIENT COST	INPATIENT COST	DEDUCTIBLE
1967	25% OF ALLOWED CHARGES (NOTE #2)	25% OF ALLOWED CHARGES (NOTE #2)	$50 PER INDIV. $100 PER FAMILY
1976	SAME	SAME	SAME
1987	SAME	SAME	SAME

NOTE #2: Some physicians charge more than what CHAMPUS considers reasonable and, in those cases, the patient pays the entire amount above what CHAMPUS will allow.

Yet, a belief that medical benefits have eroded remains with beneficiaries of the military medical system. This belief appears to stem from a reduction in the "space available." By 1978 this belief had grown so strong that 11 percent of the 2,200 letters received by the President's Commission on Military Compensation included complaints about military health care. Most complaints centered on accessibility, availability, and administrative problems. [10]

By 1987, the reduction of space availability for dependent and retiree medical cases had reached a point where Navy medical clinics in at least one geographic area (Jacksonville, North Carolina) stopped seeing retirees and dependents [11].

In the Navy/Marine Corps system, the number one reason for the access problem is the growth of the beneficiary population. The number of Navy families has grown by nearly 63,000 just since 1981 [12].

The overcrowding of uniformed medical facilities has reached a point where retirees and dependents are "... outraged at the degree to which Navy medical care availability has been reduced for them." [13] This sentiment has compelled Senator Edward Kennedy to state that "There is a crying need to reduce overcrowding in military health care facilities." [14]

The number of recipients of military medical benefits (spouse/child of active duty members and retirees and their spouse/child) has increased dramatically since 1967 when a DoD official told a House Subcommittee that "the number of retirees and their dependents is increasing more rapidly than the availability of Government medical facilities," [15] and that "The higher cost of medical services in fiscal year 1967 reflects the expansion of our Armed Forces as well as the increase in the number of dependents eligible for military medical care." [16]

In 1972 the number of beneficiaries had grown to 6 million [17]. By 1987, this number had reached 8 million plus [18] and the uniformed health facilities had reached a point where they did not have on active duty the medical personnel and resources to serve both active members as well as non-active duty beneficiaries [19].

This shortage of military medical personnel has exacerbated the problem of space availability. In 1987 the Navy was short more than 9,000 medical personnel [20] and the shortage in doctors had become critical. In 1986 the Navy wanted to recruit 119 physicians and was able to recruit only 21. In 1987 the Navy goal was 139 physicians but by September had recruited only 15 [21].

This medical shortage combined with the ever increasing beneficiary base has caused such a shortage of available space in uniformed medical clinics and hospitals that more

of the health care of the non-active duty population will have to be provided from private sector sources [22].

Herein lies the basis of erosion. The reduction in space availability has moved (in some cases, forced) beneficiaries to private sector medical care under the CHAMPUS program.

Under this program, outpatient care, which is free in military facilities, costs the spouse/child of an active duty member, in addition to the deductible, 20% of the allowable cost and all of that expense that exceeds allowable cost. Tables 4-2 and 4-3 display particular costs for all classification of beneficiaries and medical care.

While the increase in percentages of cost has been minimal over the years, the actual dollar cost can be quite high and, in fact, legislation has been recently introduced in Congress to place a $1,000.00 yearly cap on CHAMPUS cost for dependents of active duty and a $10,000.00 yearly cap for retirees and their dependents [23]. These caps do not include that portion of expense that exceeds "allowable charge" [24].

To a beneficiary who is accustomed to free outpatient care and minimal cost for inpatient in a uniformed medical facility, the expenses incurred under CHAMPUS are excessive and represent a definite erosion of medical benefits.

V. COMMISSARY/EXCHANGE

A. COMMISSARY

Commissary stores have been in existence in one form or another for over two hundred years. As originally established in 1775, the purpose of the commissary was to provide rations for the troops of the Continental Army. It was not until 1825 that "Congress authorized the Army to sell food and other items at cost to officers stationed at isolated frontier areas, establishing the first commissary stores." [1] In 1866 this privilege was expanded to include enlisted personnel [2]. Growth of the Army commissary system began in earnest. In 1909 the Marine Corps first commissary was established with the Navy following up in 1910 and the Air Force in 1947 [3].

The growth of the commissary store system has made it the envy of commercial grocery concerns, and its requirement for increasing O&M funding from congress has made it the target of budget cutting legislators. By 1978 the commissary system was among the ten largest retailers of food products in the United States with annual sales of over $3 billion [4]. Government subsidies to commissaries increased from $105 million in 1967 [5] to $583 million in 1983 [6].

The growth of the commissary system has been possible because the individual services do not have to request appropriations or authorization of funds from Congress to

construct the stores. Each commissary is built from proceeds generated through commissary sales.

The only control Congress has over the commissary system is through the appropriation of funds for operations and until recently "the House Armed Services Committee has routinely raised commissary appropriations to provide these new stores with employees and inventories." [7]

However, the days of unrestricted growth may be over. The tremendous sales revenue and market populace available to the military commissary system has not gone unnoticed by commercial food retailing interests. This interest combined with the expressed desire of the Legislative branches to reduce the annual budgets for the Department of Defense have brought the commissary system under renewed pressures.

The goals of the various anti-commissary movements have included: privitization of commissaries, their abolishment, or reduction in federal appropriations for operations. The campaigns have been conducted on two charges: (1) commissaries do not adhere to the original purpose as stated in federal law and (2) in a time of rising federal budgets the government can no longer afford to subsidize commissary operations.

The original intent of Congress when it first established commissaries in 1825 was that subsistence items were to be "sold at cost only in certain isolated areas." [8] Congress has "repeatedly reinforced its original intent that items be sold only where they are not reasonably

available from commercial sources." [9] In 1949, after holding hearings on military commissaries, the Chairman of the House Committee on Armed Services, stated:

> The whole theory of the commissary privilege was originally to give it to the people who were at isolated stations who did not have the benefit of metropolitan sales. That is the whole theory and the only justification for it. It was never intended that the Government should go in the business of providing for its personnel where they have the privilege and the opportunity to go to a private place to buy. [10]

Opposing this point of view, the Department of Defense stated its claim that over the years the commissary has become a routine fringe benefit and, as such, plays an important role in personnel retention. Additionally, the Government is morally committed to providing commissary benefits to retirees. [11]

However, spurred on by Congressional criticism, DoD established, in 1949, criteria to be used in justifying commissaries [12]:

1. Convenience criterion: commercial stores are too far from the installation.
2. Price criterion: store prices are too high.
3. Adequacy criterion: stores do not carry a full line of goods similar to a commissary.

The Government Accounting Office has branded the criteria as unreasonable and points to the fact that since 1953 not one commissary has been closed for failure to meet

the criteria and that, in a 1979 survey of the 258 CONUS commissaries, 108 were justified on the basis of price alone and only one was justified on the basis of convenience [13].

The Food Marketing Institute, a civilian organization of 1300 food retailers and wholesalers, has pressed Congress hard on the original intent issue. In an appearance before the Readiness Subcommittee of the HASC in 1984, Ronald R. Frost, spokesman for the Food Marketing Institute, a civilian organization of 1300 food retailers and wholesalers, and the President of Piggly Wiggly Southern, Inc. stated that, "Foremost in all our minds is a desire and obligation to do what's best for our country and support our men and women in uniform." [14] He went on to state, however, that commissaries can no longer be justified as originally intended [15] and that the fundamental question was, "Why should the Government be in the grocery business at such considerable taxpayer expense?" [16] He reiterated that his concern was that "the purpose of the commissary system has strayed so far from the original intent" and closed his testimony by asking Congress to take a "closer look at how our tax dollars are being spent." [17]

At the same hearings, Don Beaver, President of the California Grocers Association, a trade organization of 7,000 retail grocers, asserted that neither he nor his association challenged the "legitimacy of the commissary as they were intended to be created" [18] but the issue was

"the extent government should be competing with private enterprise." [19]

Mr. Beavers further stated:

> It is time for Congress and the Administration to begin to define the limits of Commissary operations and their level of competition with food retailers. Our members deserve fair competition if the government is going to be in the food business. [20]

Civilian food retailers are not alone in their fight against military commissaries. In an attempt to reduce the burgeoning defense budget some Congressmen have enlisted on the side of anti-commissary forces.

In 1975, during hearings on House Rule 4831, a rule to prohibit expenditure of federal funds for commissary stores operated for the uniformed services, Congressman Stratton asked why the government had "... an obligation to supply cheap food to those in the military service in areas where food is plentiful?" [21] Continuing his questioning, he compared compensation of military personnel to that of civilians: "I don't think that Garfinckels', that this company supplies low-priced food for the people that work there. Mr. McKenny. Is there any obligation for us to supply low-cut underwear or low-cost underwear, say, for people in the armed services, or for their families?" [22]. It should be obvious where Congressman Stratton stood on the issue of military commissaries.

Equally obvious is the position held by Congressman Les Aspin. Writing for the minority in House Report No. 94-405, he called commissary subsidies a "drain on the budget" [23]

and attempts to justify commissaries as an "evasion of the law." [24] Not content with attacking commissaries, Congressman Aspin assailed those fellow Congressmen who supported commissaries as "the friends of cheap groceries for generals." and the resolution supporting commissary subsidies as "... simply another case of pretending that there is a free lunch." [25]

In addition to civilian and individual assaults on military commissaries many congressional committees, government agencies, and government appointed study groups have recommended abolishment, privitization and alteration of the commissary system as shown by the following chronology.

> 1952. A surcharge was added to the shelf price of individual items in order to comply with a congressional requirement for commissaries to become more self-sustaining [26].
>
> 1953. The Senate Committee on Appropriations reported: "The committee fails to find any justification for the continuation of commissaries at military installations which are surrounded by or which abut metropolitan areas." [27]
>
> 1963. Congress requested that GAO review the legal background for and the authorization of military commissary stores [28].
>
> 1964. GAO reported that DoD criteria for justification of commissaries were unrealistic and did not meet the intent of Congress [29].

1967. Report of the First Quadrennial Review of Military Compensation recommended that commissaries be operated at no net cost to the government and that consideration of commissary benefits as an element of military compensation be discontinued (This consideration was discontinued in 1967). [30]

1974. Congress passed legislation to increase the surcharge on commissary shelf items to 3 percent [31].

1975. (a) Comptroller General found that commissaries in metropolitan areas are contrary to the original intent of Congress that they be located in remote areas where the serviceman does not have the benefit of metropolitan sales [32].

(b) DoD budget submitted for FY76 voluntarily phased out appropriated funds for wages and salaries of commissary employees and for overseas utilities expense. The House disagreed and restored full funding. [33]

1976. (a) Surcharge raised to 4 percent [34]. The surcharge eventually reached 5 percent.

(b) DoD budget for FY77 proposed reducing subsidies over a 3 year period. Once again the House disagreed and restored the full amount. [35]

1977/1978. Senate appropriations bills for FY78 and FY79 recommended a three year phaseout of subsidies. The full Senate adopted the recommendations in the 1979 bill but the conference committee deleted the phaseout without explanation. [36]

1983. The President's Private Sector Survey on Cost Control (Grace Commission) issued the most intense attack on commissaries in the history of the commissary system. In recommendation OSD 32-1, the report

stated that "DoD should terminate the operation of the commissary system in the continental United States." [37] The report claimed that if this action were taken that $972,700,000 would be saved over the 3 year period of FY84 through FY86 [38].

The uniformed services and other commissary advocates fought the anti-commissary assault on four fronts:

1. Better management of commissary operations in order to decrease the amount of government subsidy required.

2. Attempts to convince Congress that the commissary was a de facto benefit, regardless of it's original purpose and any alteration of that benefit would result in a decreased retention and enlistment rate.

3. Asserting that a morally binding contract existed between the government and military personnel who were, in part, induced to enlist/reenlist because of commissary privileges.

4. Refuting the dollar amount that commissary foes claimed would be saved with proposed alteration or termination of the commissary system.

1. Cost Reduction

In July 1975 the Office of the Secretary of Defense ordered the uniform services to implement the cost reduction recommendations of a DoD study group formed to determine what management changes should be made to the commissary system. In December of the same year, DoD directed that commissary personnel end strengths be reduced by a total of 2,228. [39]

Seeking further cost reductions, OSD, in 1976, directed the services to increase the use of part-time and intermittent employees in lieu of full time employees and to implement additional cost saving initiatives [40].

These cost reduction initiatives resulted in savings ranging from $47.9 million (GAO estimate) to $75.2 million (DoD estimate) over a three year period from FY77 through FY79 [41]. These savings are depicted in Table 5-1 (figures were derived from [42]) and Table 5-2 (figures derived from [43]). Additional savings of $4.4 million were achieved in 1979-80 through base closures.

TABLE 5-1.....ALL SERVICES COMMISSARY MANAGEMENT SAVINGS.....

	FY 1977		FY 1978		FY 1979	
MANAGEMENT IMPROVEMENT	SAVINGS REPORTED BY DOD	GAO	SAVINGS REPORTED BY DOD	GAO	SAVINGS REPORTED BY DOD	GAO
	(000 OMITTED)					
Centralizing the Army and Air Force management systems	$7,900	$4,700	$14,300	$11,100	$16,000	$12,900
Increasing use by all services of part-time and intermittent employees	5,300	600	10,500	6,400	18,400	10,700
Using income from redemption of vendors cents-off coupons as an offset to personnel costs	400	200	1,200	600	1,200	800
TOTAL	$13,600	$5,500	$26,000	$18,100	$35,600	$24,300

TABLE 5-2....NAVY COMMISSARY MANAGEMENT SAVINGS.....

	FY 1974	FY 1983	% CHANGE
WORK YEARS	5,502	4,467	-18.8
SALES/WORK YEAR CONSTANT 1974 DOLLARS	$83,100	$94,900	+14.2
OPER. & MAINT. SUBSIDY CONSTANT 1974 DOLLARS	$37,200,000	$32,500,000	-12.6

From 1976 through 1983, the sales at Marine Corps commissaries increased approximately 16% when adjusted for inflation while the number of stores remained constant (14 CONUS/1 Overseas) and total staffing remained at or below the FY76 level. Additionally, the Marine Corps increased average store hours from 39 to 44 hours per week and line items from 4500 to 6500, thus maintaining satisfactory customer service without an increase in personnel. [44]

2. Purpose of Commissary

The Department of Defense and other commissary advocates argue that commissaries have outgrown the original intent of Congress and have become, over the years, a de facto benefit used as compensation for the low pay and arduous life of service members and their dependents. It is the stated opinion of DoD that any reduction of this benefit would result in decreased retention and enlistment rates. "Service officials believe that the commissary privilege has

become ingrained as an economic benefit and its loss would adversely affect personnel recruiting and retention." [45]

The importance of this benefit to service members is indicated by the fact that "In virtually every poll and survey ever taken by the services, the commissary ranks as the second most highly regarded benefit, trailing only medical care." [46]

In a 1984 appearance before the House Subcommittee on the Department of Defense, Dr. Lawrence J. Korb, an Assistant Secretary of Defense, stated that, "We believe that the commissaries are a very, very important part of the military compensation package, that in effect their value to the service member far outweighs the subsidy that we pay, and any tampering with that would simply be catastrophic." [47]

Dr. Korb later provided printed information for the committee's record that emphasized the DoD opinion. "Commissaries are an integral part of the military life. They are viewed as a condition of employment by military members and provide a degree of stability for our people and their families of nonpay compensation, commissaries represent a significant benefit to the military family and the government." [48] DoD's presentation of this opinion has been effective and over the years many Congressmen have supported this view.

3. Contract Obligation

The DoD assertion that the government has a moral contract with service members to provide the commissary benefit has been very convincing and receives widespread support from members of Congress.

In House Report No. 94-405, Congressman Herbert of Louisiana wrote that service members "... are beginning to question the credibility and integrity of their government in proposing to withdraw from a moral commitment made to them when they chose the military service as a career." [49]

In 1975, Congressman Nichols of Alabama stated, "We have promised, in our recruiting posters, around every state in this Union, that if a man joins the military, during his active service and after he retires, he would continue to have commissary benefits. It is a strong recruiting tool, and I consider it a very strong moral commitment that we have made to our retired personnel." [50]

Contract obligation has proven to be an effective tool for commissary advocates and is pressed at every opportunity. In 1984 Colonel Frances S. Conaty (Ret.), Secretary, Association of the U. S. Army, told Congress that the commissary is "... perceived by the military community as an implied contractual supplement to be provided by the Government." [51]

During Congressional hearings on the Grace Commission in 1984 this "implied contract between the Government and military members" [52] was raised very effectively and won many adherents.

4. Unrealistic Savings Forecast

It is the opinion of commissary advocates that the commissary system is, in fact, a benefit derived from a moral obligation on the part of the Government and is part of the service member's compensation. Given this, they readily agree with the Report of the First Quadrennial Review of Military Compensation:

> If the benefits from these operations are to be counted as part of the members compensation, then he has a right to expect cash compensation in lieu thereof whenever the benefits are not available. This would require payment of a cash supplement equal to some estimated value of exchange and commissary savings to members assigned to duties that preclude reasonable access to such facilities. [53]

Based on this, DoD determined that if the pay of married service members stationed within CONUS were adjusted to compensate for benefits lost (FY83) as a result of commissary closings the adjustment in pay would total $674.6 million. This would exceed by $313.1 million the amount appropriated ($361.5 million) in FY 1983 to operate CONUS commissary stores. [54]

Additionally, DoD asserts that the increased appropriation that would be necessary for the recruitment budget in order to offset the decrease in enlistments/retention from the loss in benefits would add to the excess of cost over savings.

The point-counterpoint dueling between pro and anti commissary forces over the last several years has been a constant and intense affair that has resulted in repeat investigations and hearings. "The whole subject of commissaries has been studied to death." [55]

In addition to the 1984 HASC hearings on the Grace Commission, hearings were held in 1953, 1957, 1970, 1972 and 1979. These hearings all reached the conclusion that the military resale system is a privilege that members of the armed forces and their families have come to expect and rely upon and that they are important benefits accruing to service members. [56]

Even with these favorable rulings though, the commissary stores system has not emerged unscathed. Over the years the system has been forced to incrementally add surcharges to the price of its shelf items until the total surcharge now equals 5 percent. The resale system has also been pressured by Congress to improve management efficiency and implement cost reducing procedures.

These procedures have more than offset the applied surcharge and have actually resulted in increased savings for the commissary shopper. In 1974, as reported by a DoD study group, the average commissary shopper saved approximately 22 percent by shopping at commissary facilities as opposed to civilian supermarkets [57]. By 1984, after the surcharge had reached 5 percent and 9 years after DoD commissaries began a concerted management

improvement drive, this savings had increased to 24 percent [58].

So through it all, the duels, threats, perceived erosion, the fact is that the commissary benefit has not decreased but, to the contrary, has increased by 2 percent.

B. EXCHANGES

The exchanges of the uniform services achieved more than $7.2 billion in worldwide sales in 1985. This achievement ranks them as the country's seventh largest chain of department stores. Stateside stores alone would be ranked at 11th. [59] This ranking is comparable to the ranking of military commissaries yet the exchange system has never been attacked with the intensity of the assaults against the commissary system.

There are several reasons for this. Foremost, is the fact that the PX, unlike the commissary, is essentially self-sustaining and is not reliant on government subsidies to continue in business. The purpose of subsidies to the PX is to pay the salaries of military personnel assigned to the exchange and to pay the transportation cost of shipping goods to the overseas exchanges. This total subsidy is minuscule when compared to that of the commissary. In 1982 $300 million was appropriated for CONUS commissaries and $19 million to CONUS exchanges [60].

Secondly, there is no question as to whether the existence of exchanges are in violation of original congressional intent. There is no specific statutory authority governing the establishment and operation of military exchanges. Instead, exchanges were established under, and are currently operated in accordance with, regulations of the various military establishment [61]. Their purpose is to provide authorized patrons with articlesand services necessary for their health, comfort and convenience [62].

Civilian retailers have not been as aggressive in their complaints against exchanges as they have against commissaries. The reason is primarily one of competitiveness. Civilian department stores are able to compete with exchanges far more easily than they can with commissaries.

Unlike commissaries, exchanges are not required by law to sell at cost, plus a 5 percent surcharge and, as a result, are profit makers with a markup average close to 20 percent [63]. Because of this markup, by shopping carefully at large discount stores in the local community, military personnel could duplicate or exceed exchange savings.

A big plus for the exchange system in its relations with Congress is the exchange system's support of the Morale, Welfare and Recreation facilities (MWR) of the uniformed services. This support far exceeds the amount of exchange subsidy. In FY81 exchanges provided an estimated

$149 million to MWR [64]. Compare this to the FY82 CONUS exchange subsidy of $19 million and one can see why legislators have not considered closing exchanges.

The benefits derived by shopping at military exchanges are in no danger of erosion. With an average savings of 19 percent and an increasing support for MWR, service members have a safe, constant and uneroded benefit in military exchanges.

VI. CONCLUSIONS

It is the conclusion of this thesis that during the 20 year period, 1967 to 1987, retirement and medical benefits have seriously eroded; commissary benefits have improved slightly; exchange benefits have remained constant; and housing benefits have improved as to the number of government units available, but have decreased in the quality of those units and that members forced to live on the civilian economy have suffered erosion in the purchasing power of BAQ/VHA.

APPENDIX

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

BAQ:	Bachelor Allowance for Quarters
BAS:	Basic Allowance for Subsistence
BEMAR:	Backlog of Essential Maintenance Required
CHAMPUS:	Civilian Health and Medical Program of the Uniformed Services
COLA:	Cost of Living Adjustment
CONUS:	Continental United States
CPI:	Consumer Price Index
DoD:	Department of Defense
FHA:	Federal Housing Administration
FY:	Fiscal Year
GAO:	General Accounting Office
HASC:	House Armed Services Committee
MHA:	Military Housing Area
MRS:	Military Retirement System
MWR:	Morale, Welfare, Recreation
O&M:	Operations and Maintenance
OSD:	Office of the Secretary of Defense
PX:	Post Exchange
RMC:	Regular Military Compensation
VHA:	Variable Housing Allowance

END NOTES

I. INTRODUCTION

1. House Armed Services Committee No. 94-10. "Hearings on H.R. 3363 and H. Con. Res. 142 and H.R. 4831." U.S. Government Printing Office, 1980, p. 283.

2. House Armed Services Committee No. 94-22. "Full Committee Consideration of H. Con. Res. 198." U.S. Government Printing Office, 1975, p. 8.

3. House Armed Services Committee No. 96-64. "Hearings on H.R. 5168, H.R. 7626, and S.1454." U.S. Government Printing Office, 1980, p. 40.

II. RETIREMENT BENEFITS

1. House Armed Services Committee Report No. 92-180. "Recomputation and Other Retirement Legislation." U.S. Government Printing Office, 1972, p. 17630.

2. Ibid., p. 17631.
3. Ibid., p. 17639.

4. Gordon, Lt.Col. Sol, Col Al Ungerleider. 1987 Retired Military Almanac. Washington, D.C.: Uniformed Services Almanac, Inc., 1987, p. 192.

5. House Armed Services Committee Report No. 92-180, p. 17639.

6. Gordon and Ungerleider, p. 195.

7. House Armed Services Committee Report No. 92-180, p. 17631.

8. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1986. Part 6. "Hearings on H.R. 1872 and H.R. 1179." U.S. Government Printing Office, 1985, p. 520.

9. House Armed Services Committee Report No. 92-180, p. 17629.

10. President's Private Sector on Cost Control. "Report on the Office of the Secretary of Defense." U.S. Government Printing Office, 1983, p. 210.

11. McNamara, Robert S. 'Statement of Secretary of Defense Robert S. McNamara Before the Senate Armed Services Committee on the Fiscal Year 1969-73 Defense Program and 1969 Defense Budget." U.S. Government Printing Office, 1968, p. 182.

12. Committee on Post Office and Civil Service, House of Representatives. "Report to the President by the Cabinet Committee on Federal Staff Retirement Systems." U.S. Government Printing Office, 1966, p. 51.

13. Ibid., p. 52.
14. Ibid.

15. Department of Defense. "Report of the First Quadrennial Review of Military Compensation." Volume I. U.S. Government Printing Office, 1967, p. 56.

16. Committee on Post Office and Civil Service, House of Representatives, p. 51.

17. Ibid., p. 19.

18. Department of Defense. Military Compensation Background Papers. "Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds," Second Edition. U.S. Government Printing Office, 1982, p. 245.

19. Ibid., p. 246.
20. Ibid.

21. Congressional Budget Office. "Defense Manpower: Compensation Issues for Fiscal Year 1977." U.S. Government Printing Office, 1976, p. 3.

22. Ibid., p. 32.
23. Ibid.

24. Title 37, United States Code. "Pay and Allowances of the Uniformed Services (as Amended Through December, 1984)." U.S. Government Printing Office, 1985, p. 162.

25. Ibid., p. 161.

26. Department of Defense. Military Compensation Background Papers, p. 246.

27. Title 37, United States Code, p. 160.

28. Ibid.

29. Gordon and Ungerleider, p. 17.

30. Ibid., p. 18.
31. Ibid., p. 160.
32. Ibid., p. 19.
33. Ibid., p. 21.

34. Title 37, United States Code, p. 161.

35. Gordon and Ungerleider, p. 17.

36. Ibid., p. 7.

37. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1987. Part 6. p. 535.

38. United States House of Representatives, Report No. 99-659. "Military Retirement Reform Act of 1986." U.S. Government Printing Office, 1986, p. 29.

39. Ibid., p. 30.
40. Ibid., p. 31.
41. Ibid., p. 30.
42. Ibid.

III. HOUSING BENEFITS

1. Department of Defense. Military Compensation Background Papers. "Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds," Second Edition. U.S. Government Printing Office, 1982, p. 51.

2. Ibid., p. 52.
3. Ibid.
4. Ibid., p. 53.

5. Unger, Elizabeth S., Navy Family Housing Acquisition Process and Use of Factory-Built Housing. University of Florida, 1984, p. 2.

6. Ibid.

7. House of Representatives, 90th Congress, Second Session. Military Construction Appropriations Bill, 1969. U.S. Government Printing Office, 1968, p. 7.

8. House of Representatives. Military Construction Appropriations for 1988. Part 5. "Family Housing Programs." U.S. Government Printing Office, 1987, p. 486.

9. Unger, p. 2.

10. House of Representatives. Department of Defense Appropriations for 1986. Part 2. "Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps." U.S. Government Printing Office, 1985, p. 695.

11. House of Representatives. Military Construction Appropriations for 1988. Part 5. p. 495.

12. House of Representatives. Second Supplemental Appropriation Bill, 1975. Part 2. "Hearings Before Subcommittees of the Committee of Appropriations House of Representatives, 94th Congress, First Session." U.S. Government Printing Office, 1975, p. 442.

13. House of Representatives. Military Construction Appropriations for 1988. Part 5. pp. 460, 461.

14. Gordon, Lt.Col. Sol, Lee E. Sharff. 1981 Uniformed Services Almanac. Washington, D.C.: Uniformed Services Almanac, Inc., 1981, p. 25.

15. Ibid.

16. House of Representatives. Military Construction Appropriations for 1969. Part 2. "Family Housing." U.S. Government Printing Office, 1968, p. 464.

17. House of Representatives. Military Construction Appropriations for 1988. Part 2. "Navy Family Housing." U.S. Government Printing Office, 1987, p. 771.

18. Gordon, Lt.Col. Sol, Lee E. Sharff. 1976 Uniformed Services Almanac. Washington, D.C.: Uniformed Services Almanac, Inc., 1976, p. 149.

19. Gordon, Lt.Col. Sol, Lee E. Sharff. 1987 Uniformed Services Almanac. Washington, D.C.: Uniformed Services Almanac, Inc., 1987, p. 191.

20. House of Representatives. Department of Defense Appropriations for 1968. Part 1. "Military Personnel." U.S. Government Printing Office, 1967, pp. 124, 128, 178, 183.

21. Gordon and Sharff. 1987 Uniformed Services Almanac. pp. 191, 192.

22. House of Representatives. Military Construction Appropriations for 1968. Part 1, "Family Housing." U.S. Government Printing Office, 1967, p. 293.

23. House of Representatives. Military Construction Appropriations for 1976. Part 2. "Family Housing." U.S. Government Printing Office, 1975, pp. 981, 988.

24. House of Representatives. Military Construction Appropriations for 1988. Part 5. p. 460.

25. House of Representatives. Military Construction Appropriations for 1968. Part 5. "Navy Military Construction Program." U.S. Government Printing Office, 1967, p. 117.

26. Department of Defense. Military Compensation Background Papers. p. 56.

27. Ibid.

28. U.S. House of Representatives. "House Report No. 93-1146." U.S. Government Printing Office, 1974, p. 11.

29. Binkin, Martin. The Military Pay Muddle. Washington, D.C.: The Brookings Institution, 1975, p. 64.

30. Department of Defense. Military Compensation Background Papers. p. 55.

31. Congressional Budget Office. "Military Housing Allowances: An Analysis of Alternatives for Change." CBO, 1984, p. 1.

32. U.S. House of Representatives. "House Armed Services Subcommittee No. 96-64." U.S. Government Printing Office, 1980, p. 36.

33. Ibid., p. 45.

34. Congressional Budget Office. p. 2.

35. Ibid.

36. Gordon and Sharff. 1987 Uniform Services Almanac. p. 40.

37. Ibid., p. 41.

38. Navy Times. No. 51. "3.4% VHA Hike Likely,, But Will Vary by Area." Springfield, Virginia. Army Times Publishing Co., October 5, 1987, p. 30.

IV. MEDICAL BENEFITS

1. Department of Defense Military Compensation Background Papers. "Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds," Second Edition. U.S. Government Printing Office, 1982, p. 217.

2. House of Representatives Report No. 92-1336. "Authorizing the Use of Health Maintenance Organizations." U.S. Government Printing Office, 1971, p. 3.

3. Department of Defense Military Compensation Background Papers, p. 217.

4. Ibid., p. 219.
5. Ibid.

6. House of Representatives. Military Construction Appropriations for 1988. Part 5. "Quality of Life in the Military." U.S. Government Printing Office, 1987, p. 16.

7. Department of Defense Military Compensation Background Papers, p. 218.

8. House of Representatives Report No. 92-1336, p. 3.

9. Navy Times. No. 42. "CHAMPUS Cost Cap Doesn't Cover All Costs." Springfield, Virginia. Army Times Publishing Co., August 3, 1987, p. 9.

10. Report of the President's Commission on Military Compensation. U.S. Government Printing Office, 1978, p. 151.

11. Navy Times. No. 1. "Navy Medical Care 'Outrage' Aired in Panel." Springfield, Virginia. Army Times Publishing Co., October 19, 1987, p. 3.

12. Wifeline. Fall Issue. "Medical Care - Solving the Access Problem." Washington, D.C., Navy Internal Relations Activity, 1987, p. 14.

13. Navy Times. No. 1., p. 3.

14. Navy Times. No. 52. "Senate Backs 23 Additional Free Clinics." Springfield, Virginia. Army Times Publishing Co., October 12, 1987, p. 1.

15. House of Representatives. Department of Defense Appropriations for 1967. Part 1. U.S. Government Printing Office, 1966, p. 210.

16. Ibid.

17. House of Representatives Report No. 92-1336, p. 4.

18. House of Representatives. Military Construction Appropriations for 1981. Part 5, p. 16.

19. Ibid.

20. Navy Times. No. 48. "Medicine Suffering From Chronic Anemia: Zimble." Springfield, Virginia. Army Times Publishing Co., September 14, 1987, p. 6.

21. Navy Times. No. 49. "Zimble Wants Doctors to Double as Recruiters." Springfield, Virginia. Army Times Publishing Co., September 21, 1987, p. 2.

22. House of Representatives. Military Construction Appropriations for 1988. Part 5, p. 16.

23. Navy Times. No. 3. "Unusual 3.5% Pay Hike Approved by Conferees." Springfield, Virginia. Army Times Publishing Co., November 2, 1987, p. 30.

24. Navy Times. No. 42, p. 9.

V. COMMISSARY/EXCHANGES BENEFITS

1. Dearing, Jefferey Lynne. An Evaluation of the Perceived and Actual Cost Comparisons of Commissaries: Fort Ord Case. Monterey, California: Naval Postgraduate School, September 1984, p. 15.

2. Ibid., p. 16.

3. Department of Defense. Military Compensation Background Papers. "Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds." Second Edition. U.S. Government Printing Office, January 1982, p. 2.

4. General Accounting Office Report to Congress. "Military Commissaries: Justification as Fringe Benefits ." U.S. Government Printing Office, January 1980, p. 2.

5. Department of Defense. "Report of the First Quadrennial Review of Military Compensation." Volume I. U.S. Government Printing Office, November 1967, p. S-15.

6. House of Representatives. Department of Defense Appropriations for 1985. Part 7. "Military Compensation and Recruiting/Retention." U.S. Government Printing Office, 1984, p. 386.

7. Grace, J. Peter. War on Waste. New York: MacMillan, 1984, p. 153.

8. GAO Report to Congress. "Military Commissaries: Justification as Fringe Benefits." Appendix II, p. 4.

9. Ibid., Appendix II, p. 5.
10. Ibid.
11. Ibid., p. 7.
12. Ibid., p. 10.
13. Ibid., p. 11.

14. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1985. Part 5. "Commissary Hearings on Grace Commission Recommendations." U.S. Government Printing Office, 1984, p. 861.

15. Ibid., p. 863.
16. Ibid., p. 864.
17. Ibid., p. 865.
18. Ibid., p. 871.
19. Ibid., p. 874.
20. Ibid., p. 876.

21. H.A.S.C. No. 94-10. "Hearings on H.R. 3363 and H. Con. Res. 142 and H.R. 4831 Before Subcommittee on Investigations of the Committee on Armed Services, House of Representatives, Ninety-Fourth Congress, First Session." U.S. Government Printing Office, 1975, p. 218.

22. Ibid.

23. House of Representatives Report No. 94-405. "Report Together With Minority Views to Accompany II Con. Res. 198." U.S. Government Printing Office, 1975, p. 9.

24. Ibid.

25. Ibid., p. 10.

26. Dearing, p. 20.

27. Ibid., p. 17.

28. General Accounting Office Report to Congress. "The Military Commissary Store: Its Justification and Role In Today's Military Environment." U.S. Government Printing Office, 1975, p. 2.

29. Ibid.

30. Department of Defense. "Report of the First Quadrennial Review of Military Compensation." Volume I. p. 109.

31. Dearing, p. 18.

32. GAO Report to Congress. "The Military Commissary Store: Its Justification and Role In Today's Military Environment." p. i.

33. Hemphill, Daniel S. The Marine Corps West Coast Commissary Complex: An Ex Post Evaluation. Monterey, California: Naval Postgraduate School, June 1985, p. 18.

34. Dearing, p. 20.

35. Hemphill, p. 19.

36. Ibid.

37. President's Private Sector on Cost Control. "Report on the Office of the Secretary of Defense." U.S. Government Printing Office, 1983, p. 281.

38. Ibid., p. 282.

39. GAO Report to Congress, "Military Commissaries: Justification as a Fringe Benefit ." Appendix IV, p.22.

40. Ibid.
41. Ibid., p. 23.
42. Ibid.

43. "Commissary Hearings on Grace Commission Recommendations." p. 940.

44. Ibid., p. 937.

45. GAO Report to Congress. "The Military Commissary Store: Its Justification and Role In Today's Military Environment." p. ii.

46. "Military Supermarkets: Base Commissaries." Handbook for Military Families, 1987/1988 Edition. Springfield Virginia, Times Journal Co., 1987, p. 54.

47. House of Representatives. Department of Defense Appropriations for 1985. Part. 7. "Military Compensation and Recruiting/Retention." p. 385.

48. Ibid.

49. House of Representative Report No. 94-405, p. 5.

50. House Armed Services Committee No. 94-22. "Full Committee Consideration of H. Con. Res. 198, Concerning the Operation of Military Commissaries." U.S. Government Printing Office, 1975, p. 5.

51. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1985. Part 5. "Commissary Hearings on Grace Commission Recommendations." p. 994.

52. Hemphill, p. 23.

53. Department of Defense. "Report of the First Quadrennial Review of Military Compensation." Volume I, p. 106.

54. House of Representatives. Department of Defense Appropriations for 1985. Part 7. "Military Compensation and Recruiting/Retention." p. 385.

55. H.A.S.C. No. 94-10. p. 39.

56. Department of Defense Military Compensation Background Papers. "Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds." p. 203.

57. Hemphill, p. 17.

58. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1985. Part 5. "Commissary Hearings on Grace Commission Recommendations." p. 890.

59. "Military Supermarkets: Base Commissaries." Handbook for Military Families, 1987/1988 Edition. p. 55.

60. President's Private Sector on Cost Control. "Report on the Office of the Secretary of Defense." p. 277.

61. Department of Defense. Military Compensation Background Papers. "Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Background." p. 205.

62. Ibid.

63. Binkin, Martin. The Military Pay Muddle. Washington, D.C.: The Brookings Institution, 1975, p. 11.

64. President's Private Sector on Cost Control. "Report on the Secretary of Defense." p. 278.

BIBLIOGRAPHY

1. Binkin, Martin. The Military Pay Muddle. Washington, D.C.: The Brookings Institution, 1975, p. 64.

2. Committee on Post Office and Civil Service, House of Representatives. "Report to the President by the Cabinet Committee on Federal Staff Retirement Systems." U.S. Government Printing Office, 1966, p. 51.

3. Congressional Budget Office. "Defense Manpower: Compensation Issues for Fiscal Year 1977." U.S. Government Printing Office, 1976, p. 3.

4. Congressional Budget Office. "Military Housing Allowances: An Analysis of Alternatives for Change." CBO, 1984, p. 1.

5. Dearing, Jefferey Lynne. An Evaluation of the Perceived and Actual Cost Comparisons of Commissaries: Fort Ord Case. Monterey, California: Naval Postgraduate School, September 1984, p. 15.

6. Department of Defense. Military Compensation Background Papers. "Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds," Second Edition. U.S. Government Printing Office, 1982, p. 245.

7. Department of Defense. "Report of the First Quadrennial Review of Military Compensation." Volume I. U.S. Government Printing Office, 1967, p. 56.

8. General Accounting Office Report to Congress. "Military Commissaries: Justification as Fringe Benefits ." U.S. Government Printing Office, January 1980, p. 2.

9. General Accounting Office Report to Congress. "The Military Commissary Store: Its Justification and Role In Today's Military Environment." U.S. Government Printing Office, 1975, p. 2.

10. Gordon, Lt.Col. Sol, Lee E. Sharff. 1976 Uniformed Services Almanac. Washington, D.C.: Uniformed Services Almanac, Inc., 1976, p. 149.

11. Gordon, Lt.Col. Sol, Lee E. Sharff. 1981 Uniformed Services Almanac. Washington, D.C.: Uniformed Services Almanac, Inc., 1981, p. 25.

12. Gordon, Lt.Col. Sol, Col Al Ungerleider. 1987 Retired Military Almanac. Washington, D.C.: Uniformed Services Almanac, Inc., 1987, p. 192.

13. Grace, J. Peter. War on Waste. New York: MacMillan, 1984, p. 153.

14. Hemphill, Daniel S. The Marine Corps West Coast Commissary Complex: An Ex Post Evaluation. Monterey, California: Naval Postgraduate School, June 1985, p. 18.

15. House Armed Services Committee Report No. 92-180. "Recomputation and Other Retirement Legislation." U.S. Government Printing Office, 1972, p. 17630.

16. H.A.S.C. No. 94-10. "Hearings on H.R. 3363 and H. Con. Res. 142 and H.R. 4831 Before Subcommittee on Investigations of the Committee on Armed Services, House of Representatives, Ninety-Fourth Congress, First Session." U.S. Government Printing Office, 1975, p. 218.

17. House Armed Services Committee No. 94-22. "Full Committee Consideration of H. Con. Res. 198, Concerning the Operation of Military Commissaries." U.S. Government Printing Office, 1975, p. 5.

18. House Armed Services Committee No. 96-64. "Hearings on H.R. 5168, H.R. 7626, and S.1454." U.S. Government Printing Office, 1980, p. 40.

19. House of Representatives. Department of Defense Appropriations for 1967. Part 1. U.S. Government Printing Office, 1966, p. 210.

20. House of Representatives. Department of Defense Appropriations for 1968. Part 1. "Military Personnel." U.S. Government Printing Office, 1967, pp. 124, 128, 178, 183.

21. House of Representatives. Department of Defense Appropriations for 1985. Part 7. "Military Compensation and Recruiting/Retention." U.S. Government Printing Office, 1984, p. 386.

22. House of Representatives. Department of Defense Appropriations for 1986. Part 2. "Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps." U.S. Government Printing Office, 1985, p. 695.

23. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1985. Part 5. "Commissary Hearings on Grace Commission Recommendations." U.S. Government Printing Office, 1984, p. 861.

24. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1986. Part 6. "Hearings on H.R. 1872 and H.R. 1179." U.S. Government Printing Office, 1985, p. 520.

25. House of Representatives. Department of Defense Authorization of Appropriations for Fiscal Year 1987. Part 6. p. 535.

26. House of Representatives. Military Construction Appropriations for 1968. Part 1, "Family Housing." U.S. Government Printing Office, 1967, p. 293.

27. House of Representatives. Military Construction Appropriations Bill, 1969. U.S. Government Printing Office, 1968, p. 7.

28. House of Representatives. Military Construction Appropriations for 1976. Part 2. "Family Housing." U.S. Government Printing Office, 1975, pp. 981, 988.

29. House of Representatives. Military Construction Appropriations for 1981. Part 5. U.S. Government Printing Office, p. 16.

30. House of Representatives. Military Construction Appropriations for 1988. Part 5. "Family Housing Programs." U.S. Government Printing Office, 1987, p. 486.

31. House of Representatives. Military Construction Appropriations for 1988. Part 2. "Navy Family Housing." U.S. Government Printing Office, 1987, p. 771.

32. House of Representatives. Military Construction Appropriations for 1988. Part 5. "Navy Military Construction Program." U.S. Government Printing Office, 1987, p. 117.

33. House of Representatives. Military Construction Appropriations for 1988. Part 5. "Quality of Life in the Military." U.S. Government Printing Office, 1987, p. 16.

34. House of Representatives Report No. 92-1336. "Authorizing the Use of Health Maintenance Organizations." U.S. Government Printing Office, 1971, p. 3.

35. U.S. House of Representatives. "House Report No. 93-1146." U.S. Government Printing Office, 1974, p. 11.

36. House of Representatives Report No. 94-405. "Report Together With Minority Views to Accompany H Con. Res. 198." U.S. Government Printing Office, 1975, p. 9.

37. House of Representatives Report No. 99-659. "Military Retirement Reform Act of 1986." U.S. Government Printing Office, 1986, p. 29.

38. House of Representatives. Second Supplemental Appropriation Bill, 1975. Part 2. "Hearings Before Subcommittees of the Committee of Appropriations House of Representatives, 94th Congress, First Session." U.S. Government Printing Office, 1975, p. 442.

39. McNamara, Robert S. "Statement of Secretary of Defense Robert S. McNamara Before the Senate Armed Services Committee on the Fiscal Year 1969-73 Defense Program and 1969 Defense Budget." U.S. Government Printing Office, 1968, p. 182.

40. "Military Supermarkets: Base Commissaries." Handbook for Military Families, 1987/1988 Edition. Springfield Virginia, Times Journal Co., 1987, p. 54.

41. Navy Times. No. 1. "Navy Medical Care 'Outrage' Aired in Panel." Springfield, Virginia. Army Times Publishing Co., October 19, 1987, p. 3.

42. Navy Times. No. 3. "Unusual 3.5% Pay Hike Approved by Conferees." Springfield, Virginia. Army Times Publishing Co., November 2, 1987, p. 30.

43. Navy Times. No. 42. "CHAMPUS Cost Cap Doesn't Cover All Costs." Springfield, Virginia. Army Times Publishing Co., August 3, 1987, p. 9.

44. Navy Times. No. 48. "Medicine Suffering From Chronic Anemia: Zimble." Springfield, Virginia. Army Times Publishing Co., September 14, 1987, p. 6.

45. Navy Times. No. 49. "Zimble Wants Doctors to Double as Recruiters." Springfield, Virginia. Army Times Publishing Co., September 21, 1987, p. 2.

46. Navy Times. No. 51. "3.4% VHA Hike Likely,, But will Vary by Area." Springfield, Virginia. Army Times Publishing Co., October 5, 1987, p. 30.

47. Navy Times. No. 52. "Senate Backs 23 Additional Free Clinics." Springfield, Virginia. Army Times Publishing Co., October 12, 1987, p. 1.

48. President's Private Sector on Cost Control. "Report on the Office of the Secretary of Defense." U.S. Government Printing Office, 1983, p. 281.

49. Report of the President's Commission on Military Compensation. U.S. Government Printing Office, 1978, p. 151.

50. Title 37, United States Code. "Pay and Allowances of the Uniformed Services (as Amended Through December, 1984)." U.S. Government Printing Office, 1985, p. 162.

51. Unger, Elizabeth S., Navy Family Housing Acquisition Process and Use of Factory-Built Housing. University of Florida, 1984, p. 2.

52. Wifeline. Fall Issue. "Medical Care - Solving the Access Problem." Washington, D.C., Navy Internal Relations Activity, 1987, p. 14.

INITIAL DISTRIBUTION LIST

		No. Copies
1.	Defense Technical Information Center Cameron Station Alexandria, Virginia 22304-6145	2
2.	Library, Code 0142 Naval Postgraduate School Monterey, California 93943-5002	2
3.	Deborah L. Reeman 10298 Blueberry Lane Apartment C-102 Fairfax, Virginia 22033	2

Thesis
M18135 McCord
c.1 Navy/Marine Corps military compensation 1967-1987: growth or decline?

AMERICAN BINDERY
TOPEKA KANSAS

thesM18135
Navy/Marine Corps military compemsation
3 2768 000 77492 1
DUDLEY KNOX LIBRARY
c.1